MonotaRO Co.,Ltd.
3064 Tokyo Stock Exchange First Section

6-Oct.-15

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Amagasaki Distribution Center off to a Steady Start, Contributing to Earnings

MonotaRO Co., Ltd. <3064> is headquartered in Amagasaki, Hyogo Prefecture. The Company conducts Online Direct marketing of maintenance, repair, and operating (MRO) products* as well as automotive after-market goods through the Internet. It supplies customers in the construction, manufacturing, automotive after-market industries and other industries.

A key characteristic of the Company's business model is that it sells MRO products at a single price for all customers regardless of their scale or purchase amount. This policy has won the Company strong support from small to mid-size customers, who are usually forced to accept unfair prices from sellers in a conventional market. In this way the Company has become a unique Online Direct marketing operator in a niche market. As of end of June 2015, the number of registered accounts has exceeded 1.58 million.

In its recent business results, the Company has recorded strong growth in sales and profits. For H1 FY12/15 (January – June, 2015) the Company recorded significant increases in sales and profits, with sales of ¥27,356mn, up 28.4% YoY, and operating profit of ¥3,433mn, up 54.8% YoY. The increase in sales was partly due to aggressive investment in marketing, including TV commercials (February to March and June to July) and increasing the catalog issuance to twice a year. Other contributing factors include a decrease in logistics costs due to the full-scale start of operations at Amagasaki Distribution Center, which opened in 2014, and an increase in customer service and the repeat ratio due to enhanced inventory. Given these results, the Company has revised its full-year forecast for FY12/15 upwards, and is now projecting sales of ¥57,589mn, up 28.2%, and operating profit of ¥6,937mn, up 60.5%.

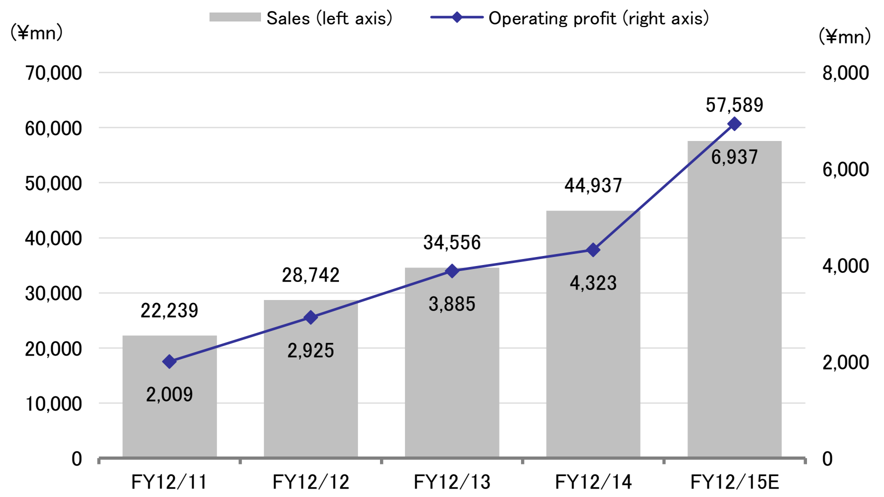
The Company has set a medium-term sales target of ¥100.0bn, and aims to achieve it early though organic growth. The foundation for this is the plan for a next-generation distribution center in the Kanto region. The Company has already taken steps to acquire a site in Ibaraki Prefecture, and is aiming to complete construction of a 55,000 m^2 facility with warehousing capacity for 500,000 items and shipping capacity for 150 billion yen sales together with current distribution center in March 2017.

Check Point

- Earnings boosted by contribution from increased recognition through TV commercials and full-scale start of operations at Amagasaki Distribution Center
- Strong operating results continued in Q2, full-year forecast revised upward
- Investment in large scale distribution center in Kanto planned to reach medium-term sales target of ¥100.0bn

* Maintenance, Repair and Operating (MRO) products refers to products used in the manufacturing process such as abrasives, drills, and work gloves, which are for internal use by companies and not for resale. The nature of such materials is highly individual for each industry.

Operating Results



Overview of Financial Results

Significant Increases in Sales and Profits Driven by New Customer Acquisitions and Full-Scale Start of Operations at Amagasaki Distribution Center

(1) Overview of financial results for H1 FY12/15 (January – June 2015)

In its consolidated financial results for H1 FY12/15, issued on July 29, the Company recorded significant increases in both sales and profits: sales was ¥27,356mn, up 28.4% YoY; operating profit was ¥1,518mn, up 24.7%, recurring profit was ¥1,916mn, up 88.9%, and net profit was ¥2,178mn, up 62.8%.

The main factors driving the increase in sales were new customer acquisitions due to higher recognition from the effect of TV commercials, successful promotion of repeat orders by increasing the number of catalog issuances from once to twice a year, and increased convenience for customers due to the full-scale start of operations at Amagasaki Distribution Center (increase in inventory items, bulk deliveries, shorter delivery times, etc.).

On the cost front, the cost ratio was reduced by adjusting procurement prices and sale prices, and by improving delivery efficiency and so forth, despite an effect of the yen's depreciation on procurement costs, resulting in a 1.4 percentage point improvement in the gross profit margin (H1 YoY). In selling, general and administrative (SG&A) expenses, a reduction in relocation cost and a reduction in distribution-related personnel cost due to efficiency gains absorbed a strategic increase in advertising expenses to improve the SG&A margin by 0.8 of a percentage point (H1 YoY).

Quarterly Business Performance

(¥mn)

	Sales					Recurring profit				
	FY12/13	FY12/14	Change YoY	FY12/15	Change YoY	FY12/13	FY12/14	Change YoY	FY12/15	Change YoY
Q1	7,739	10,831	39.9%	13,447	24.1%	956	1,229	28.6%	1,529	24.4%
Q2	8,252	10,474	26.9%	13,909	32.7%	1,118	1,014	-9.3%	1,916	88.9%
Q3	8,596	11,108	29.2%	-	-	946	938	-0.9%	-	-
Q4	9,969	12,524	25.6%	-	-	881	1,170	32.8%	-	-

Source: Materials published by MonotaRO

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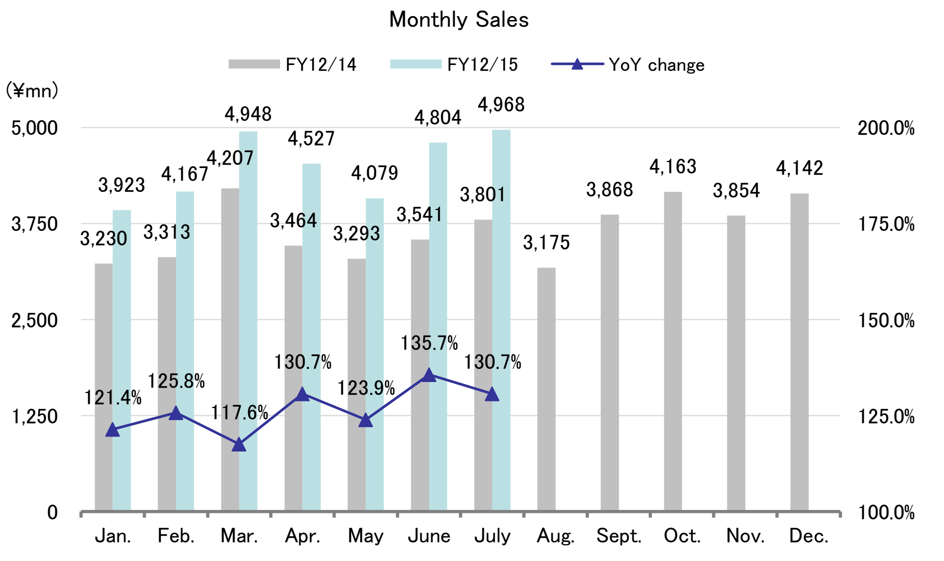
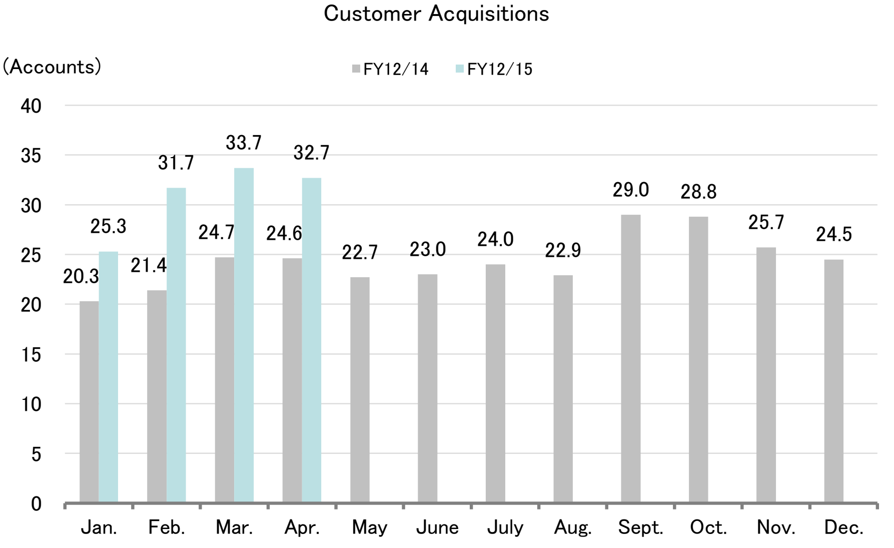
Monthly Sales for July Continue Strong Performance

(2) Monthly performance for July

The monthly sales (MonotaRO non-consolidated) for July published on August 10 maintained high growth performance with a 30.7% YoY increase to ¥4,968mn. The Company also maintained a brisk pace of customer acquisitions.





Aiming for a Continued Increase in Sales for a 14th Consecutive Year and Record Profits for a 6th Consecutive Year

(3) Consolidated operating results forecasts for FY12/15

For FY12/15, the Company has revised its forecasts upward, and is now projecting sales of ¥57,589mn, up 28.2% YoY and operating profit of ¥6,937mn, up 60.5%. Recurring profit is projected to come in at ¥6,949mn, up 59.7%, and net profit at ¥4,360mn, up 71.4%, increasing in sales for a 14th consecutive year and setting a new record profit for a 6th consecutive year.

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Consolidated Operating Results

(¥mn)

FY	Sales	Change YoY	Operating profit	Change YoY	Recurring profit	Change YoY	Net profit	Change YoY
FY12/11	22,239	-	2,009	-	2,045	-	1,148	-
FY12/12	28,742	29.2%	2,925	45.6%	2,941	43.8%	1,689	47.0%
FY12/13	34,556	20.2%	3,885	32.8%	3,901	32.6%	2,289	35.5%
FY12/14	44,937	30.0%	4,323	11.3%	4,351	11.6%	2,544	11.1%
FY12/15E	57,589	28.2%	6,937	60.5%	6,949	59.7%	4,360	71.4%

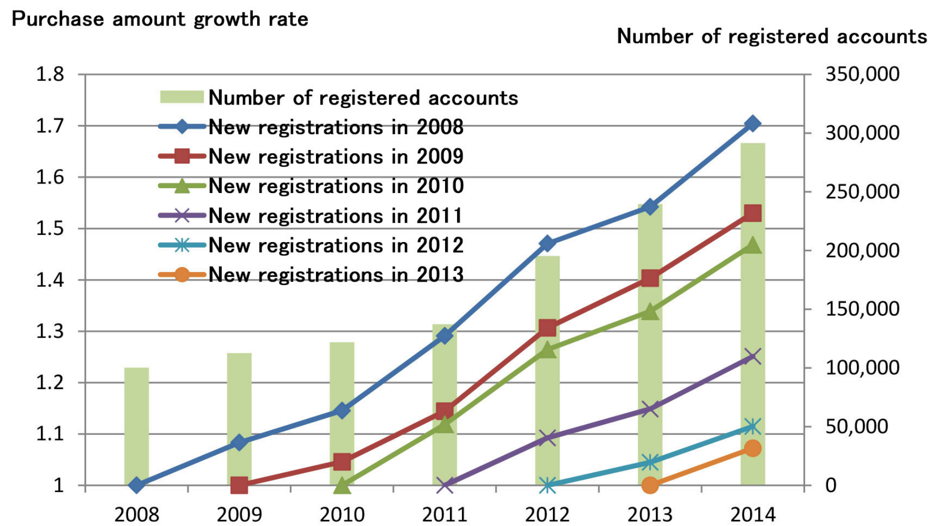
Source: Materials published by MonotaRO

a) MonotaRO business

The Company is aiming to increase the number of registered accounts in FY12/15 by approximately 382,000, or 27.1% YoY to 1,787,000. Based on the performance for H1, the Company is now aiming to increase the number of registered accounts and sales more than initially expected in H2 through aggressive promotion such as additional TV commercial campaigns.

One of the strengths of the Company's business model is that the purchase amount of existing customers increases each year. The company has seen customers' first-year order volumes increase by 1.2 to 1.3 times over three years, although the number of operating days and economic trends from year to year also have an effect. This is a result of a mechanism that can apply machine learning to similar customers' purchasing patterns and propose suitable products.

Growth in Purchase Amount of Existing Customers



Source: Materials published by MonotaRO

b) Purchase management system business

In the purchase management system business, the Company intends to add to its scheme of links with the existing systems of large customers by promoting the introduction of MonotaRO ONE SOURCE. In May, one company introduced the system, and two more are planning to follow.

c) Overseas business

The South Korean subsidiary NAVIMRO achieved its H1 profit targets by improving its profit margin, however, sales came in below plan due to the harsh economic environment in South Korea. The full-year sales forecast has been revised downward with sales projected at ¥2.0bn (initial plan ¥2.5bn), while the projected operating loss has also been revised downward at ¥348mn (initial plan ¥379mn). The company will continue and increase investment aimed at expanding the customer base for growth.

In Europe and the U.S., royalty income from Group companies increased. Sales at Zoro Tools, Inc. in the U.S., which receives direct marketing expertise from the Company, are expected to grow from US$180mn in 2014 to US$300mn (planned) in 2015, and the company has also started expanding in Europe.

Growth Strategy

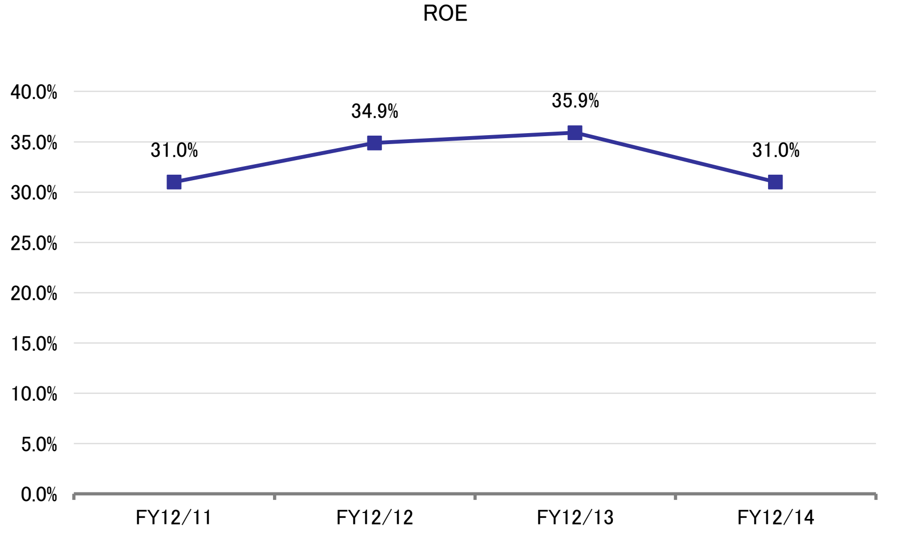
Large scale distribution center in Kanto planned to reach medium-term sales target of ¥100.0bn

The Company's medium-term target is for sales of ¥100.0bn, more than double the actual result for FY12/14. The MRO market in which the Company operates is said to be between ¥5tn and ¥10tn, and as it undergoes a rapid transition to e-commerce, there should be plenty of room for the Company to grow in its position of market leader. To achieve sales of the order of ¥100.0bn will require vital support in terms of inventory and shipping capacity. According to the plan announced on July 29, the Company has acquired an approximately 90,000 m^2 site in Kasama City, Ibaraki Prefecture, proceeding with a plan to construct a distribution center with an area of about 55,000 m^2. The center will provide warehousing capacity for 500,000 items, and together with the current Amagasaki Distribution Center, will enable the Company to handle sales of up to ¥150.0bn. From a perspective of economic rationality, the Company decided this time to purchase the land rather than lease, resulting in a total investment amount of about ¥8.5bn. The impact on operating results is yet to be seen since the construction completion is scheduled for March 2017.

ROE

Established Reputation for Highly Efficient Management, ROE Maintained at a High Level around 30%

The Company also has an established reputation for highly efficient management, with ROE notably in the extremely high range of 27% to 30% over the past through years. Considering the Company's current state, where it has managed to keep the gross profit margin in a high range and control SG&A expenses, it seems likely that it will continue to maintain a high level of ROE.



* The values do not take the effects of the stock split into account.

Shareholder Return Policy

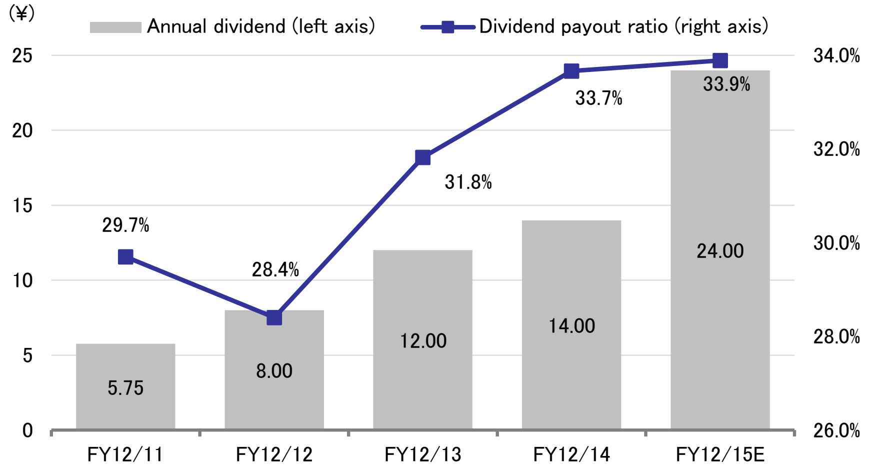
Looking Ahead, the Company Aims to Continue Stable Dividend Increases in Line with Growth

The Company's policy on dividends is to pay a stable dividend in accordance with its operating results. The interim dividend for FY12/15 was ¥10 (up ¥3 YoY). For the year-end dividend, the Company plans to pay ¥14 (*up ¥7 YoY) for an annual dividend of ¥24 (*up ¥10 YoY), a significant increase. Moreover, at a Board of Directors' meeting held on July 29, 2015, the Company decided to conduct a two-for-one stock split of its ordinary shares, effective from October 1, 2015.

The dividend payout ratio is forecast to be at the same level as FY12/14 (33.8%), but the Company intends to continue stable dividend increases in line with its growth going forward.

The Company offers shareholder benefits in the form of private brand product gifts of around ¥3,000 in value for each shareholder holding 100 or more shares at the end of the fiscal year (December 31).

Dividends and Dividend Payout Ratios



Note: The Company conducted 2-for-1 stock splits in FY12/11 and FY12/13 which have been reflected retroactively.

Corporate Overview

Member of the US MRO Supplier Grainger Group, Expanded Overseas

(1) Corporate history

The Company was established in October 2000 with investment from Sumitomo Corporation <8053> and major US MRO supplier Grainger International, Inc<GWW, NY>. as SC Grainger. The following year in 2001, the Company started the website MonotaRO.com (MonotaRO), specializing in

Online Direct marketing of MRO products. Through its sales of MRO products through the website and catalogs, the Company has continued to expand its customer base, particularly among small to mid-size companies. As of June 2015 the number of registered accounts was over 1.58 million, the number of products for sale was over 9 million, and the number of the same day shipment products was over 340,000.

In 2006, the Company was listed on Tokyo Stock Exchange Mothers, and in 2009 on the First Section. The main shareholder as of December 2014 is Grainger, which effectively has a majority stake when combined with the holdings of Grainger Japan, Inc., putting the Company within Grainger's scope of consolidation.

Company History

October 2000	Established as SC Grainger with a joint investment from Sumitomo Corporation and US company Grainger International, Inc. (Capitalization ¥120mn)
November 2001	Nationwide launch of "MonotaRO" a business for selling factory MRO products through the Internet
March 2002	Opened a distribution center in Higashi Osaka, Osaka Prefecture
February 2006	Changed the Company name to MonotaRO Co., Ltd.
June 2006	Launched dedicated website for individual consumers, IHC.MonotaRO
December 2006	Listed on Tokyo Stock Exchange Mothers
January 2007	Relocated distribution center to Amagasaki, Hyogo Prefecture
March 2008	Relocated head office to Amagasaki, Hyogo Prefecture
May 2008	Entered the business for selling products to automotive-related industries Opened a distribution center in Suminoe-ku, Osaka
December 2009	Changed listing to First Section of the Tokyo Stock Exchange
April 2010	Started overseas export business
February 2011	Expanded distribution center in Amagasaki, Hyogo Prefecture (28,000 m^2) Consolidated distribution center in Suminoe-ku, Osaka
May 2011	Established the Tagajo Distribution Center in Tagajo, Miyagi Prefecture (8,300 m^2)
January 2013	Entered the South Korean MRO market
October 2013	Established a website for Southeast Asia
January 2014	Relocated head office within Amagasaki, Hyogo Prefecture
July 2014	Established the Amagasaki Distribution Center (44,000 m^2) in Amagasaki, Hyogo Prefecture
May 2015	Entered the medical and nursing care equipment business

Source: Company website

Growing Support from Small to Mid-Size Companies As an E-Commerce Operation Selling MRO Products at a Single Price

(2) Business environment and points of differentiation

In procurement of MRO products, small to mid-size companies cannot match large companies for the size and frequency of orders. As a result, they have little negotiating power on prices and are obliged to purchase at a disadvantage. MonotaRO was launched in the market as a single channel selling items at a single price to companies regardless of their scale, transaction history, and number of items purchased. It has rapidly gained support from small to mid-size businesses.

While there are other companies operating e-commerce businesses with overlapping merchandise, such as ASKUL Corporation <2678> and MISUMI Corporation <9962>, in terms of MRO products alone there appears to be no other independent company suitable for comparison.

(3) Basic strategy

As the Company's revenues expand with the growth of its customer base, it will reinvest its earnings to increase its product range and improve its service level in terms of IT and logistics infrastructure. In this way the Company aims to continue a virtuous cycle that feeds back into the repeat ratio among existing customers and the acquisition of new customers.

Business Overview

Customer Base Growth Accelerating in the MRO Products Online Direct Marketing Business "MonotaRO"

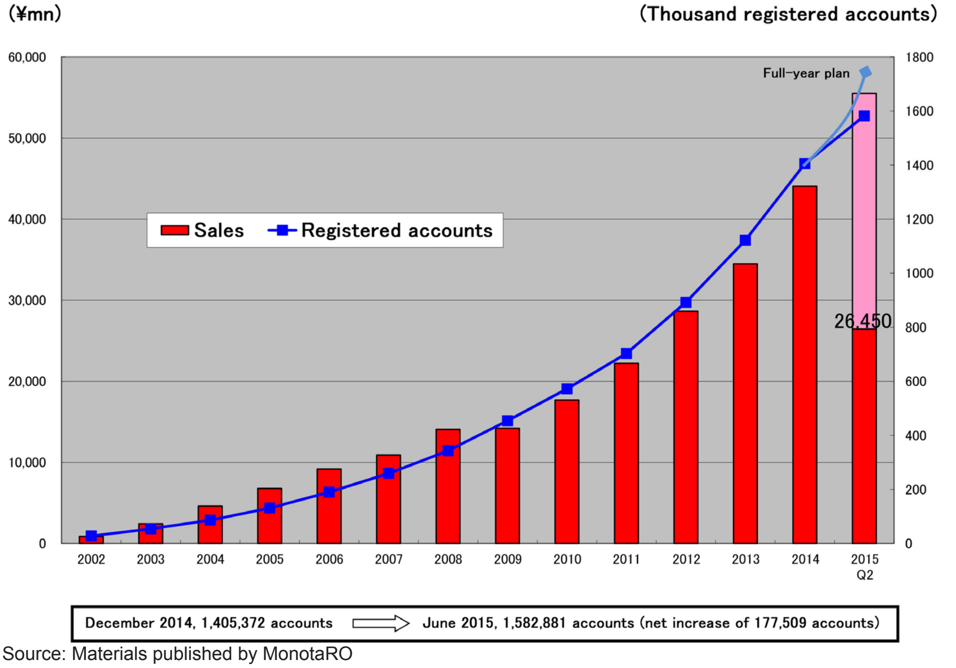
The Company's businesses can be broadly divided into three.

(1) The MonotaRO business for Online Direct marketing of MRO products

The Company's core business is the Online Direct marketing MRO product sales business MonotaRO. This business targets corporate users who purchase MRO products for use in their construction sites and factories.

The number of registered accounts is increasing at an accelerating pace. As of June 2015, the number of accounts stood at around 1,580,000, up from around 1,400,000 in December 2014. (Net increase of 177,000 accounts).

Sales and Number of Customers (MonotaRO Non-consolidated)



Source: Materials published by MonotaRO

Purchase Management System to Streamline Customers' Internal Ordering Process

(2) Purchase management system business

In this business the Company links the MonotaRO product database to the purchasing management platforms of large companies. As of June 30, 2015, 198 companies have connected (up 32 from FY12/14 year-end), with Q2 sales of ¥1.57bn, (up 77% YoY). Furthermore, on the Company's own platform, "MonotaRO ONE SOURCE," (released in July 2014), MonotaRO ONE SOURCE links product and supplier information databases managed by the customer with data of all products available from MonotaRO, enabling customers to search and compare across suppliers other than the Company. The system enables customers to perform all operations on a single platform, from selecting the optimal product from a product search, to ordering and making payment, streamlining the customers MRO product purchasing. (In operation at one company, with two more planning to introduce the system).

Expanding Overseas with a Subsidiary in South Korea and Transferal of Expertise to Parent Company in the United States and Europe

(3) Overseas business

a) South Korean subsidiary NAVIMRO

The Company's only consolidated subsidiary, NAVIMRO of South Korea, started operating an MRO product e-commerce website similar to MonotaRO in April 2013. Full-year growth for 2014 exceeded initial targets by 76%, however, the company has not achieved its sales target for H1 FY12/15 (H1 sales were ¥0.9bn). The company is on a growth track, but growth is not strong enough to achieve profitability in a single month.

b) Royalty Business in the United States and Europe

In 2010 the Company's parent company in the United States, Grainger, established the MRO e-commerce company Zoro Tools, Inc., which achieved profitability one year and four months later. The Company provides expertise to Zoro Tools and receives royalties on the amount of its net sales. A similar business model is also being developed in Europe.

c) Exports into Southeast Asia

The Company established an English-language website in October 2013 and exports products from its distribution center in Japan to 31 countries (as of January 2015), including in Southeast Asia.

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